


2012 REGULAR SESSION
ACTUARIAL NOTE SB 6

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| Senate Bill 6 SLS 12RS-141 Engrossed Author: Senator Elbert L. Guillroy Date: March 28, 2012 LLA Note SB 6.02 Organizations Affected: Louisiana School Employees' Retirement System (LSERS) EG NO IMPACT APV | The Note was prepared by the Actuarial Services Department of the Office of the Legislative Auditor.  Paul T. Richmond, ASA, MAAA, EA Manager Actuarial Services |
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Bill Header: SCHOOOL EMPLOYEES RET: Provides for annual reporting to the La. School Employees' Retirement System on privatized jobs. (6/30/12)

Cost Summary:

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| Actuarial Cost/(Savings) to Retirement Systems and OGB | \$0 |
| Total Five Year Fiscal Cost | |
| Expenditures | Increase |
| Revenues | Increase |

Estimated Actuarial Impact:

The chart below shows the estimated increase/(decrease) in the actuarial value of benefits, if any, attributable to the proposed legislation. Note: it includes the present value cost of fiscal costs associated with benefit changes. It does **not** include present value costs associated with administration or other fiscal concerns.

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| | <u>Increase (Decrease) in</u> <u>The Actuarial Present Value</u> |
| <u>Actuarial Cost (Savings) to:</u> | |
| All Louisiana Public Retirement Systems | \$0 |
| Other Post Retirement Benefits | \$0 |
| Total | \$0 |

Estimated Fiscal Impact:

The chart below shows the estimated fiscal impact of the proposed legislation. This represents the effect on cash flows for government entities including the retirement systems and the Office of Group Benefits.

| EXPENDITURES | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-2017 | 5 Year Total |
|--------------------|----------|----------|----------|----------|-----------|--------------|
| State General Fund | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Agy Self Generated | 0 | 0 | 0 | 0 | 0 | 0 |
| Stat Deds/Other | 0 | 0 | 0 | 0 | 0 | 0 |
| Federal Funds | 0 | 0 | 0 | 0 | 0 | 0 |
| Local Funds | Increase | Increase | Increase | Increase | Increase | Increase |
| Annual Total | Increase | Increase | Increase | Increase | Increase | Increase |

| REVENUES | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-2017 | 5 Year Total |
|--------------------|----------|----------|----------|----------|-----------|--------------|
| State General Fund | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Agy Self Generated | Increase | Increase | Increase | Increase | Increase | Increase |
| Stat Deds/Other | 0 | 0 | 0 | 0 | 0 | 0 |
| Federal Funds | 0 | 0 | 0 | 0 | 0 | 0 |
| Local Funds | 0 | 0 | 0 | 0 | 0 | 0 |
| Annual Total | Increase | Increase | Increase | Increase | Increase | Increase |

Bill Information:

Current Law

Under current law, when employees are terminated or positions are eliminated due to privatizing, outsourcing, or any other means, the contributions on behalf of those employees are accelerated to cover their unfunded accrued liabilities. Employers are asked to report such terminations/eliminations, but in certain cases the reporting does not occur.

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Proposed Law

Under proposed law employers will be required to report all employees and positions which have been privatized, outsourced, or otherwise eliminated, as under present law. In addition, the proposed law adds a reporting date of October 15, and gives the System the right to audit the employer’s records upon reasonable notice.

Implications of the Proposed Changes

The proposed law does not change the cost of the System, but it could affect the timing of receiving contributions. If terminations/eliminations are reported on a timely basis, the funding of their accrued benefits will be accelerated.

Cost Analysis:

Analysis of Actuarial Costs

Retirement Systems

The present value of the future contributions to the retirement system will not change under the proposed law. The timing is expected to change, however. The accelerated payments made for employment terminations (for the indicated events) will cause an increase in contributions from affected Districts initially, but a decrease in contributions from them in future years.

Other Post Retirement Benefits

There is no actuarial cost associated with this bill for post-retirement benefits other than pensions.

Analysis of Fiscal Costs

Changes in fiscal costs are summarized below:

Expenditures:

- 1. Expenditures from Local Funds will increase to the extent that Louisiana School Employees’ Retirement System (LSERS) will now be able to identify school districts that have privatized positions otherwise subject to membership in the system. Identification will lead to compliance with the requirement that the local district pay for the UAL associated with employees who are no longer members of LSERS because of the privatization.
- 2. Eventually expenditures from local funds will decrease as employer contribution requirements decrease because these UALs have been funded. These decreases are expected to occur beyond the five year fiscal measurement period.
- 3. Expenditures from the General Fund will not change as a result of SB 6 because its obligation to local school districts is limited to MFP payments, which are not changed by this proposed legislation.

Revenues:

- 1. Revenues for LSERS (Agy Self-Generated) are expected to increase to the extent that LSERS will now be able to identify school districts that have privatized positions otherwise subject to membership in the system. Identification will lead to compliance with the requirement that the local district pay for the UAL associated with employees who are no longer members of LSERS because of the privatization.
- 2. Eventually revenues from local funds will decrease as employer contribution requirements decrease because these UALs have been funded. These decreases are expected to occur beyond the five year fiscal measurement period.

Actuarial Credentials:

Paul T. Richmond is the Manager of Actuarial Services for the Louisiana Legislative Auditor. He is an Enrolled Actuary, a member of the American Academy of Actuaries, a member of the Society of Actuaries and has met the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinion contained herein.

Dual Referral:

| <u>Senate</u> | <u>House</u> |
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| <input type="checkbox"/> 13.5.1 ≥ \$100,000 Annual Fiscal Cost | <input type="checkbox"/> 6.8(F)(1) ≥ \$500,000 Annual Fiscal Cost |
| <input type="checkbox"/> 13.5.2 ≥ \$500,000 Annual Tax or Fee Change | <input type="checkbox"/> 6.8(F)(2) ≥ \$100,000 Annual SGF Fiscal Cost |
| | <input type="checkbox"/> 6.8(G) ≥ \$500,000 Annual Tax or Fee Change |